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Innovation and the City

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Abstract

In this paper, a Macromarketing perspective is adopted to examine the relevance of marketing systems, notably product management and innovation, to urban development challenges. The author examines the city as a product and begins the application of the innovation process in urban management following the steps of innovation in product management. An example of the application of the initial new product development steps of idea generation and opportunity identification is presented. A forthcoming expanded version of this paper proceeds through the subsequent steps in the application of the New Product Development process in a city's industry development.

Introduction

In the era of globalization, as countries compete for recognition and attempt to address the social and economic challenges of urban growth, cities are under increasing pressure to improve and impress. Urban renewal, new industry, improved infrastructure, lifestyle and liveability are all on the demands agenda for city planners and leaders. Are traditional planning and implementation processes sufficient to cope with these demands and pressures? What role can theory and practice from other disciplines appropriately play and how?

The findings of cross-discipline research suggest that "there are some concepts and structural principles that seem to hold for systems of many kinds, and … there are some modelling systems that seem to work everywhere" (Bunge 1979; Mead and Nason 1991). The discipline of marketing takes in a diversity of concepts and systems linked to needs, benefits, supply, demand, exchange and social enhancement (Kotler 2006). Marketing is a significant social system which underpins all social and economic systems (Drucker 1987) and is therefore a prominent example of what the aforementioned cross-discipline researchers noted,

> *... under modern capitalism, marketing has become not only all pervasive, but central to the whole economic system (Encyclopedia of the Social Sciences. 10.133.9, cited in Hollander and Rassuli 1993).*

Of particular relevance to this perspective is Macromarketing, a field of marketing scholarship which looks beyond the commercial and organizational exchange context of marketing, to examine the impact of aggregations and systems on and by marketing activities. The essence of Macromarketing as proffered by Hunt (2002) is the impact of marketing systems on society, and conversely, the impact of environmental factors on marketing. Working with this paradigm, cities and regions and nations can gain much from recognizing pertinent concepts and processes from marketing systems and scholarship and applying these in their planning and development initiatives.

Marketing and innovation are cited as the two essential ingredients for an organisation's success (Levitt 1986; O'Cass 2006; Schumpeter 1943). In reality, the two go hand in hand, as successful marketing requires innovation that responds to the changing needs of society and the different needs of new markets.

In this paper, the Macromarketing perspective is adopted to examine the relevance of marketing systems, notably product management and innovation, to urban development challenges. The city is regarded as a product to which the innovation process in urban management is applied, following the steps of innovation in product management. An example of the application of the initial NPD steps of idea generation and opportunity identification is then outlined.

Literature

Numerous examples of marketing applied beyond mainstream commercial and corporate contexts exist in publications on marketing non-profit organizations, events, an issue or a special cause. Marketing is also seen as relevant to the effective management of places, such as promoting cities (Kotler et al 1997), nation and locality "branding" (Lowengart, 2002; O'Shaughnessy 2000), tourism destination marketing (Kolb 2006), economic development (Wood 1986), and to some extent, how nations compete (Porter 1990; Vietor 2007). In examples where marketing has been applied to cities and other contexts of *place*, it is commonly to do with place attributes which translate into particular products or events associated with that place (e.g. German cars or French perfume) or promoting those attributes and attractions to make the locality desirable for tourists or investors. In these instances the marketing relevance is in the impact of the place on marketing elements of product and their perceived attributes, and how they may be promoted (O'Shaughnessy 2000).

Can marketing be more completely applied in the planning, management and operation of a locality (town, city, region or nation) and not just to the extent of promoting some attributes of the place and the products it offers? To answer this, the locality in its entirety has to be considered as a product and, as such, as part of and subject to the overall strategic marketing processes with a particular emphasis on product management and innovation.

City as Product

The perspective adopted to consider a city as product begins with an open view of what constitutes a product. A product may be seen as anything from a simple item (paperclip) to an aggregation of parts (computer) to even more complex and large-scale aggregations such as a car or airliner. Less tangible offerings in the services context also constitute a product and combinations of tangible and intangible offerings are commonplace, particularly as when the augmented product is considered (Levitt 1986). A product is therefore any service, physical object or entity, separate or in combination, that is offered to address a need and is perceived to have value to the recipient.

In product management, a product may be defined by the various components which make up the product, service or entity. A typical motor vehicle could be comprised of about 15,000 parts (NIST 2007); a service such as transportation may have numerous elements and steps involved in arranging and delivering these elements. A product can also be defined by the purpose it serves, the benefits it delivers and the various beneficiaries and stakeholders associated with the product. Products need to be managed and maintained to be and remain

successful, and this usually involves continuous improvement and innovation with reference to the components of a product and the benefits it provides.

The city, perceived as a product, can and needs to be identified as a complex product comprised of many distinct components, elements and procedures. Similar to a complex manufactured product, it consists of many distinct functional areas and a myriad of components. In general terms, a city consists of people plus facilities to support and sustain their needs. Functional parts include residential, commercial, industrial and administrative functions as well as recreational and social facilities, all of which is supported by infrastructure consisting of roads, railways and other transportation and communications systems, public facilities and service utilities such as water, energy and sewerage. Components include a city centre or core, residential areas, business and industry precincts each with its particular types of accommodation, amenities and infrastructure, plus educational, entertainment, recreation and lifestyle facilities.

When a city is seen as a complex, multifaceted product, the marketing concepts and processes associated with product management and innovation become relevant to managing and improving cities. Their application can be effective in making cities more comfortable and livable for their occupants and more attractive to business operators and investors.

Cities and Innovation

Like most manufacturing and service corporations, cities are likely to practice continuous improvement innovation if only to maintain efficient operations or to keep pace with growth and other forces. Many cities, however, undergo more active innovation initiatives, in response to internal and external pressures, such as

- abnormal levels of population change (growth or decline),
- need to upgrade facilities and infrastructure to be internationally competitive,
- need for new industry development in response to perceived economic decline,
- adoption of new technology
- responding to global social and environmental standards, and any number of other such considerations.

In the globalization era many cities undergo some forms of innovation essentially as part of their country's or region's attempt to enhance their global image and their attractiveness to investors (Leman 2002; OECD 2006). As countries grow their economies and international status, they may build an entirely new city or develop one or more of their main cities as showcases of their success, such as China's Pudong new city. Like many an elaborately transformed manufactured product, innovation for a city is partial and continuous. Just as a car manufacturer may introduce new changes to parts of the vehicle (engine, chassis, interior, steering, braking and any other of the 15,000 components), so too does a city undergo incremental and continuous changes. Innovation may occur in the form of:

- new or improved public infrastructure in transport and communication systems and facilities, like Singapore's Mass Rapid Transport system.
- iconic buildings such as Malaysia's Petronas Twin Towers, London's millennium wheel, Sydney's Opera House;

- hosting major events such as international sports and entertainment festivals which include Olympic Games, World Cup, Grand Prix racing, International expositions and any of a range of industry and business conventions;
- adding similar national and domestic sports and entertainment festivals and conventions to its events calendar.

Lifestyle is an aspect of a city's makeup that currently enjoys major attention for city innovation. A city's image and reputation for quality of life can be enhanced through imaginative city planning methods and land use planning that address problems of commuting, traffic congestion, pollution and conditions in residential, work and recreational environments.

Application Example: Opportunity Identification

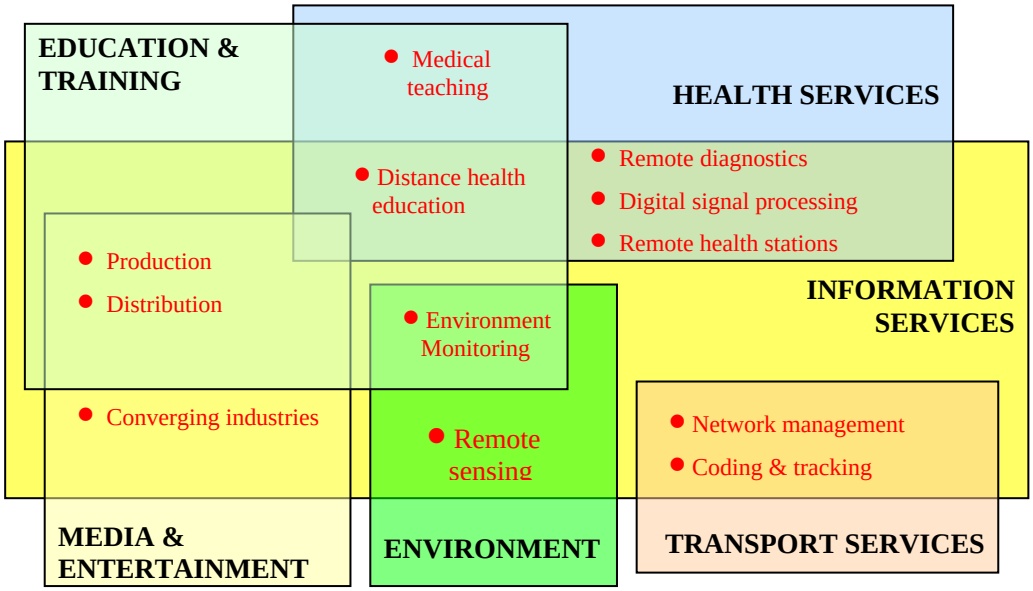
Innovation is best viewed in an organisational context (Levitt 1986; Trott 2002), wherein problems or challenges are recognised, strategy formulated, opportunities identified and pursued based on market and product selection, and the subsequent implementation of product development and commercialisation programs. The early steps of opportunity identification and screening (focusing on an aspect of product, recognising the array of possibilities and selecting those which best fit the organisations capabilities) are pre-requisite and most crucial to success (Cooper 1999). The process and techniques for corporate and institutional contexts are relatively well documented (Crawford 2007; Cooper 1999), and while these can be adopted in the city context, some customisation and specialisation in approach for some innovation activities for a city is clearly warranted. An example of specially designed opportunity identification and selection process for a city is now outlined.

In this instance the focus is on the economic aspect of a city. Assume that the city is perceived to be in economic decline and losing pace with other cities regarded as competitors, either nationally or internationally. This provides the catalyst to undergo self analysis as the initial step in developing its future strategy and industry programs. Following steps consistent with the requirements of a Product Innovation Charter, city management personnel would refer to reports and studies for situation data to compile a dossier of the city's assets, resources and core competencies which it regards as its main strengths and the platform for its future growth and which would also provide parameters to help guide and direct subsequent innovation teams in terms of focus, goals and guidelines for their role in the innovation process.

The innovation team would be assembled from city leaders and appropriate experts who would develop an industry vision for the city. They would consider the future environmental context in which commercial opportunities would emerge, such as fast and efficient transport, more sophisticated human development facilities, access to information and communications systems, improved health services and leisure environment and, subsequently, how this would provide new business opportunities for the city. A representative group or think-tank for each of the city's main industry and commerce sectors would be engaged in the process – a selected group of people with the highest levels of experience and expertise in that area, drawn from business, administration, government, and academia. Each think tank would be briefed on the city industry vision then asked to address the question: 'In the light of these considerations, what are likely to be the most significant business opportunities for this city in your area in 20 years time?' Each think-tank would list 20 most attractive opportunities in their category. A screening process would follow, e.g.: from the initial viability rating of opportunities and subsequent prioritising of the opportunity list, then the identification of

clusters, synergies and linkages between opportunities, a manageable set of industry categories might consist of: Education and Training; Information services; Media and Entertainment; Environment management; Transportation. Specific opportunity mapping might occur as in Figure 1.

Figure1. New Opportunity Mapping



The outcome of this stage of the innovation process for the city is a thoroughly analysed set of opportunity areas which it can pursue with a high probability of success. It provides focus and a rationalization of resources for subsequent steps in new industry development which, as for any NPD process, become more complex and costly as concept development, testing and implementation proceed (Cooper 1999). This approach requires an optimum level of co-operation and planning across administrative, corporate and institutional boundaries. The results however are likely to exceed the quality and level of success of any alternative method of achieving a vision for new business opportunities available for all participants in the city's economy.

Conclusion

A city, viewed as a product consisting of distinct parts, can have the principles of product management and innovation applied to its development. The example in this paper demonstrates that, in the same way that corporations analyse their portfolio to determine areas of innovation and development, so too can city planners and industry participants use corporate planning methods to rationalise their choices and decisions on the development of their product – the city.

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